

What innovations would enable hospitality in South Africa to rebuild?

Rebuilding
hospitality in
South Africa

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Received 26 May 2022
Revised 26 May 2022
Accepted 26 May 2022

Abstract

Purpose – This paper aims to address the following questions: What is the impact of the pandemic on the hospitality industry in South Africa? Which innovations and strategies are in place to rebuild hospitality in South Africa?

Design/methodology/approach – This article emanates from the recent pandemic situation, and it is structured to include conceptual information drawn from the literature, empirical study and industry observation. These were conducted in 2020 and 2021 using, concepts from the literature, online questionnaires and observation to gather data about the impact of COVID-19 on hospitality operations across South Africa.

Findings – Historically literature shows that the hospitality industry positively impacts the economy and employment. However, the pandemic greatly affected these contributions. The findings reported in the empirical study revealed that the pandemic affected business operations and employment and caused financial hardship for the industry.

Originality/value – There are relatively few studies that report on the issues relating to the pandemic and the hospitality industry in South Africa. This paper contributes to the literature regarding a pre-COVID-19 overview, the impact of the pandemic and the innovations and strategies in place to rebuild the hospitality industry.

Keywords Hospitality industry, South Africa, The impact of COVID-19, Innovations and strategies

Paper type Research paper

Introduction

The hospitality industry has historically significantly contributed to the South African economy. Prior to COVID-19, StatsSA (2020) recorded that the tourism sector, of which the hospitality industry is part, contributed R130.1 billion towards GDP in 2018, with 4.5% employment in the same year. Due to the nature of COVID-19, this sector saw a drastic decline in business activity and the years 2020–2021 will be forever associated with COVID-19. Verma and Gustafsson (2020) contend that COVID-19 “is a human social and economic crisis that has attacked the core of human existence”. The COVID-19 pandemic certainly had a negative impact on the hospitality industry in South Africa and the world at large. The impact of this pandemic enforced countries to come up with strategies to limit the spread, as a



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Worldwide Hospitality and
Tourism Themes
Vol. 14 No. 6, 2022
pp. 565-571
Emerald Publishing Limited
1755-4217

DOI 10.1108/WHATT-06-2022-0063

results, the South African government declared the pandemic the National State of Disaster in March 2020 and introduced hard lockdown restrictions (level 5) from March 2020 to 30 April 2020. Thereafter, there was an easing of lockdown from levels 4-1 sequentially, ending in 2021, to limit the spread of COVID-19. The tourism sector at its core is reliant on mobility and sociability, two things that COVID-19 has highly affected. Atlas (2020) note that “social distancing diminishes the pleasure of a holiday to the extent that many may choose to stay home”. The restricted movement impacted the hospitality industry negatively, and it comes as no surprise that the hospitality industry is so hard hit by the pandemic.

Giousmpasoglou *et al.* (2021) noted that the hospitality industry “is vulnerable to incidents of economic, political and social instability, natural catastrophes and pandemics”. Furthermore, these authors conducted a study of the COVID-19 crisis and the results showed that international hotel chains had a diverse approach to crisis management, however, they had to adapt to the nature of COVID-19. Other establishments had to develop new protocols and Standard Operating Procedures (SOPs). Rogerson and Rogerson (2020) predict that the impact of the COVID-19 pandemic will have a global economic impact for several years with the tourism and hospitality industries most affected and so the hospitality industry in South Africa must come up with long-term strategies to rebuild the industry.

Literature review

Tourism before 2020 in South Africa

Prior to 1994, South Africa’s economy was dominated by traditional industries like mining and agriculture. Post-1994, the economic, social and political scenery changed drastically due to globalization and other industries began to gain prominence (Garidzirai and Pasara, 2020). In this context, the economic paradigm in numerous developing and emerging economies shifted towards tourism because of its potential contribution to economic development.

In the year 1994, the number of tourists visiting South Africa was 3.9 million and this increased to more than 10 million by 2010. These numbers were boosted by major sporting events such as the Rugby World Cup in 1996 and the Soccer World Cup in 2010. This brought many visitors to South Africa who by default made use of accommodation and food facilities while they were in the country (Garidzirai and Pasara, 2020).

In South Africa, the direct contribution of the tourism sector to Gross Domestic Product (GDP) was 130.1 billion Rands in 2018 and constituted nearly 2.9% direct contribution to GDP compared to a 3.7% contribution to GDP in 2019. In 2018, the tourism sector contributed about 4.5% of total employment in South Africa compared to 4.7% in 2019 (StatsSA, 2020).

In 2019, South Africa welcomed 10.23 million international visitors and recorded 7.11 million domestic trips. Tourism’s contribution to Gross Domestic Product (GDP) was 2.9% and the sector created more than 725,000 direct jobs and 1.49 million “direct and indirect jobs”, of which 19% of jobs are within the accommodation sector. In terms of income generation, tourism in South Africa generated approximately R82.5 billion in direct foreign spending and R126.7 billion in total spending (Department of Tourism, 2020).

The impact of the pandemic

According to the United Nations Tourism Barometer, COVID-19 significantly impacted international tourist arrivals for the period January to May 2021. The decline is due to travel restrictions applied globally to contain the spread of the COVID-19 pandemic. South Africa saw a decline of 71% in foreign arrivals compared to 2019 which had 15.8 million visitors, while the year 2020 recorded less than 5 million visitors (StatsSA, 2020).

Dube (2021) reports that after the announcement of the lockdown in South Africa, 83% of tourism businesses, which automatically includes the hospitality industry, experienced a

50% decline in revenue. Subsequently, some hospitality establishments ended up having to shut down as the impact was so great, while others tried to survive. Clearly, hospitality operators had to come up with ways to adjust and had to adapt to the new normal.

Sucheran (2021a) estimated that 4.8 million jobs had been lost from February 2020 to July 2020 and that nine out of ten hotels had to lay off or furlough staff. This was further attested by a tourism study which reported that 58% reduced wages for more than 50% of staff, with 40% of businesses having to reduce wages for all staff and 28% of businesses had to furlough more than 50% of staff (South Africa, 2021). This study also found that as lockdown restrictions were being eased, customers were still reluctant to move around as they used to prior to the pandemic. As a result, 92% of tourism businesses reported in October 2020 that they had experienced a 50% or greater decline in revenues compared to October 2019, 36% of businesses indicated a total loss of revenue and 88% indicated that occupancy in October 2020 was down more than 50% compared to October 2019 and 38% indicated no occupancy at all (South Africa, 2021).

The hospitality industry adopted certain strategies to ensure business activity could continue. Apart from retrenching staff members, Dube (2021) notes that some establishments opted for salary reductions to avoid staff reductions while some restaurants started offering delivery services. Businesses went through several changes, amongst others, operating costs were severely impacted with 58% of businesses unable to service their debts; 61% could not cover fixed costs (South Africa, 2021).

The South African government intervened to assist businesses by offering government employee relief funds. The Department of Tourism also assisted businesses with relief funds and for restaurants, the Eat Out restaurant relief fund was available. In a study by Sucheran (2021b) on the impact and recovery strategies on guesthouses, it is recorded that the participants felt that the “Tourism Relief Fund and other regulatory relief were highly inadequate to the needs of financially distressed businesses”.

Online survey

Much Covid-19-related research being conducted both in South Africa and globally is ongoing in the various sectors of the industry—restaurants, bars, hotels and guest houses, wine farms and conference centres to name a few; the results of which will assist the industry in restoring their businesses and pivoting their business models to be more sustainable. In the context of this, article an online study was conducted among hospitality operators whereby 320 managers completed an online survey (google form) regarding the impact of COVID-19 in South Africa. The results reported here focus on the impact of COVID-19 and cover three aspects: business operations, employment and financial implications.

The impact of the pandemic on business operations

Within the South African tourism and hospitality market, COVID-19 had a tremendous impact on revenue, staffing and general operations. The various lockdown levels within South Africa prohibited trade including food preparation, production and selling as well as alcohol bans for certain periods. Most hotels in Cape Town require a 60% occupancy level to break even and so the majority of hotels and accommodation providers had to temporarily or permanently close.

The study conducted in South Africa, focusing on the impact of COVID-19 on the hospitality industry, revealed that the majority of businesses (31.8%) impacted were less than 5 years old with 26.1% of respondents' businesses being between 7–10 years old. The impact of the lockdown levels because of the pandemic affected businesses in various ways including the most (66.8%) having to shut doors completely during lockdown periods; 47.3% of

businesses suffered increased employee absenteeism due to various reasons, as well as 41.7% of businesses said that employees were unable to return to work after lockdown periods. Just under half (47.3%) of businesses were financially impacted due to refunding of deposits because of closures, while 36.1% were able to adapt or change their business offering within the confines of the lockdown. Furthermore, 28.6% of respondents indicated that most business operations were able to carry on, while 20.8% indicated only 50% of their usual business offering could continue and 20.5% indicated only a small part of their businesses could continue operating. Businesses are still unsure of what the future may hold regarding their sustainability - 27.5% of respondents were unsure of their businesses' success rate post-lockdown, 23.7% indicated they do not anticipate business closure and while 16.2% indicated permanent closure in the future.

The impact of the pandemic on employment

COVID-19 has had a great impact on staff attending and returning to work after the lockdown, including social impacts related to mental health and well-being. Results show that 28.8% of respondents indicated that less than 25% and less than 50% respectively of staff returned to work as lockdown levels eased. Due to the ceasing of operations, the results states that 47.1% of staff were temporarily laid off, 54.2% of businesses were forced to reduce salaries, 37.4% of businesses retrenched staff, 12.5% had to furlough staff and 23.9% of businesses encouraged staff to work from home.

Financial implications caused by the pandemic

Businesses had to adopt various financial strategies to survive. Most hotels and restaurants made use of basic marketing strategies to keep their businesses afloat: 56.8% offered discounts, 28.9% offered "buy now use later" vouchers, most of which could be purchased online, 45.6% offered Buy 1 get 1 free deal, 46.7% started or made use of loyalty programs and 49.1% offering different rates for local and international travellers. Certain businesses, (35.4%) introduced online sales while 21.9% customised new products and 20.9% changed their business offering. Some businesses (26.9%) were able to apply for debt payment relief, 18.5% were able to restructure bank loans, 33.7% applied for Government relief schemes and 31.3% used their reserves to keep their businesses afloat.

Industry observations

Innovations and strategies to rebuild the hospitality industry

At certain times, lockdown level requirements only permitted 50% of a venue's occupancy to be used and this meant that businesses could take a more personal approach to service and bring the focus back to personalised guest services, as seen with the revival of concierge services in most hotels. This could also be seen in personalised services that are connected through various technological portals – development of Applications (Apps) for reservations/ check-ins and departures and general bookings that could be used on mobile phones and tablets.

A positive outcome of the COVID-19 pandemic is the technological innovations being used to increase convenience and reduce the number of close contacts that guests and workers are exposed to. Examples include Self-monitoring Analysis and Reporting Technology (SMART), Artificial Intelligence (AI), Robotics, Mobile Phone Applications (Apps) and QR code technology. While most of these technological applications have been around for a few years, the rate of adoption at which these businesses made use of these technological innovations is encouraging. Employers also looked to make sure their employees were multi-skilled and could offer their business diverse offerings such as being able to fulfil more

than one role within the business. It seems clear that employment opportunities will become more streamlined to ensure financial sustainability as well as ensuring health and safety protocols are followed in strict accordance with government regulations.

In moving forward in a new hospitality environment, it is important to consider what rebuilding strategies can be put in place for tourism and hospitality to ensure sustainability. The United Kingdom (UK) placed South Africa on the infamous “red list” twice in 2021. As international bookings started increasing for South Africa’s summer season, the discovery of the Omicron variant of the COVID-19 virus resulted in an immediate ban on all travel to South Africa. Within 48 h, the hospitality industry experienced cancellations equivalent to 1 Billion Rands. The financial loss from this second red-list ban is expected to reach 13 Billion Rands. The South African government worked hard to remove South Africa from the red list and although this ban has been lifted, there is uncertainty regarding how many people would re-book their December 2021/January 2022 vacation. South Africa is considered a long-haul destination and relies heavily on international inbound traveller. The travel bans have affected the confidence of many travellers and it is the responsibility of various tourism bodies in South Africa to rebuild this confidence. The South African hospitality industry is hopeful that the return of international flights will bring in more tourists from the key markets, especially the UK and Europe. The industry is also looking forward to hosting travel expos like Africa’s Travel Indaba and Meetings Africa, which have been scheduled to take place during the first or second quarter of 2022. Cape Town, Sun City, George, Durban and East London are the most sought-after destinations for the latter.

COVID-19 has highlighted the need for tourism and hospitality businesses to investigate how they will navigate the current and future landscape, perhaps by developing crisis preparedness plans. Tourism and hospitality businesses had to rely on domestic and local tourism during the pandemic and has previously focused on international tourists they had to develop marketing strategies for local and domestic tourists. Yet, the South African hospitality industry has proved to be resilient and has changed the way in which it offers its services. In fact, one of the industry’s unique selling points (USPs) is its creativity in re-inventing its products and services, not least as room rates over the past 20 months have reduced to half that of 2019. In this context, hotels are offering add-on services to attract domestic tourism. A few other innovative ideas that hotels have implemented are experiences focused on the outdoors, such as outdoor movie nights. Lockdown levels and certain limitations have also encouraged the industry to diversify some of its services and offer support to surrounding areas, for example, a hotel that previously only used its laundry services for in-house purposes now offers laundry services including delivery to its local community. This not only encourages community support but also provides much-needed income for the hotel so that it can support its employees.

Since the pandemic, the industry has observed that travellers are looking for different experiences. Clients are bookings hotel accommodations via various online search engines. They are looking for boutique hotels that offer more personalized service and prefer to work with tour operators that offer bespoke travel. It has also been observed that travellers are looking for more fulfilling experiences and hence are making bookings with tour operators that are socially and environmentally conscious and choosing to stay in properties/hotels that have a positive impact on the environment. This means that hotels and establishments should place more emphasis on safety and health factors, improving hygiene protocols and ensuring that they contribute sustainably within their respective communities.

The hospitality industry has also taken note of the importance of staff training. Employees need to understand the mindset of the traveller and training and upskilling sessions are required to sustain customer satisfaction. Here, emphasis must be placed on a guest’s journey through the entire process, including all aspects of reservation, arrival accommodation experience as well as departure. Guests should feel safe within the

surroundings of the establishment while dealing with employees and other customers. To ensure the health, wellness and safety of both staff and customers, businesses are well advised to review their health and wellness policies. COVID-19 has highlighted many health and wellness areas that have become a mainstream component of business strategies. For example, businesses need to focus on the holistic well-being of employees, not only physical health and safety but mental health too. Moving forward, a key objective will be to prevent and control infection rates and in this context, some hospitality operations have implemented mandatory staff vaccination protocols.

To ensure sustainability, one of the key rebuilding strategies for hospitality operators needs to be financial security or the development thereof. Often restaurants rely on small businesses, farmers and suppliers, all of whom have been severely impacted by COVID-19 in the past two years. The hospitality industry must also focus on community upliftment and engagement. During the lockdown and due to travel and import restrictions, many South African residents supported small businesses by purchasing farm-to-table food and vegetable boxes and homemade food and beverage products. The latter has led to increased support for purchasing locally made products, which has enabled many small businesses to stay afloat during uncertain times.

In the past two years of living and dealing with the COVID-19 pandemic, South Africans have shown great resilience, entrepreneurialism and the spirit of “ubuntu”. The meaning of this is often referred to as “I am because we are”, but it is often intended as the philosophical meaning to “believe in a universal bond of sharing that connects all of humanity”. This is the true spirit of hospitality and the only way that we as a global industry will be able to recover.

Summary

This paper captures three-dimensional aspects, namely, tourism and the economy before the pandemic, the impact of the pandemic and innovations and strategies being implemented to rebuild the hospitality industry in South Africa. It is quite evident that the pandemic has had a negative impact on the hospitality industry, affecting its operation, economy and employment. The impact on these aspects came out vividly from the literature and the empirical study and this is not unique to South Africa as the same was reported from a global perspective. However, on a positive note, the industry has learned to build resilience by exploring innovative ways and strategies to keep businesses afloat during a prolonged period of uncertainty. Technological innovation became the core solution to most of the challenges brought about by the pandemic, to meet the diverse needs of customers and ensure health and safety practices that minimise the spread of COVID-19. Many businesses have had to adopt a multiskilling of employees strategy to ensure financial security and sustainability. With the easing of government restrictions, we have been observing an improvement in business performance in most of the hospitality establishments across South Africa. This was due to support from domestic (Provincial and interprovincial) and international tourists for the industry. People are now more comfortable travelling, going away, dining out and exploring and this gives rise to hope in the South African hospitality industry.

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